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SOVIET UNION

1. Soviet emphasis on European security probable at Berlin conference:

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Ambassador Bohlen notes that in the Soviet note of 26 December the "necessity of assuring European security" is mentioned ahead of the "threat of a rebirth of German militarism."

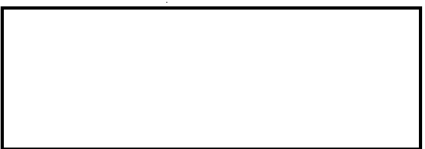
He regards this as another indication that the USSR will develop the security theme at the Berlin conference.

Bohlen believes that any security proposal would be based on the French-Soviet and Anglo-Soviet treaties of mutual assistance, with either an offer for similar bilateral pacts with other Western European countries or a generalized proposal for a European regional security arrangement.

FAR EAST

2. Japanese government assured of Diet support on critical issues:

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From 12 to 15 members of the opposition Progressive Party have agreed to support the Japanese government in any critical Diet vote, thereby assuring Yoshida a definite majority, according to Minister of Justice Inukai. The Progressive Party will also support the government on a stringent budget for the next fiscal year.

Ambassador Allison notes that a pattern of greater political stability than has existed for three years is beginning to emerge as a result of the recovery of confidence in Yoshida's leadership. He believes this stems primarily from the greater clarification of national policy by Yoshida's Liberal Party and the weakening of schismatic forces by Hatoyama's return to the party.

Comment: The return of the splinter Hatoyama group to the Liberal Party gave it only four seats short of a Diet majority. Therefore, the pro-Yoshida wing of the Progressive Party, estimated at from 15 to 20 members, can now defect to the Liberals in the event the Progressives as a party fail to cooperate with the government.

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Stabilization of the political scene will enable Yoshida to adopt more definitive defense plans and sounder economic policies.

SOUTH ASIA

3. Indian Communist Party line to remain "peaceful":

The "peaceful" policy directive presented to the Third Congress of the Communist Party of India on 27 December represents tacit recognition of the Indian government's strongly anti-Communist attitude as well as a significant defeat for B. T. Ranadive's terrorist party faction.

The policy directive, presented by Secretary General Ajoy Ghosh, who recently returned from six months in the USSR, reflects Moscow's current policy of wooing India both politically and economically. Primarily, however, it indicates the party's inability to recover from drastic government repression of Communist terrorism in 1948 and 1949.

The completeness of Ranadive's defeat is suggested by the press report that he was not even allowed to attend the congress as an official delegate. It presumably ends the rivalry between Ranadive and more moderate party elements led by A. K. Gopalan and S. A. Dange.

Since Indian popular opinion is now swinging more toward the Socialists than the Communists, it is unlikely that continued Communist reliance on moderate tactics would achieve notable results in the near future. [REDACTED]

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4. British seen willing to deal more bluntly with Nehru:

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British officials, in contrast to their previous kid-glove handling of Indian prime minister Nehru, are now less afraid of offending him, according to the American embassy in London.

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The British are convinced that Nehru has concluded firmly that it is to India's advantage to remain in the Commonwealth. A senior official of the Commonwealth Relations Office feels that he would surrender this membership only under extreme provocation, which would not include the supply of a modest amount of American arms to Pakistan.

Comment: Britain has previously shown great deference to Nehru, as in its strong support for Indian views on the Korean peace negotiations. An indication of a firmer attitude is the recent suggestion by a British official to the Indian high commissioner in London that India view the projected agreement between the United States and Pakistan in the proper perspective.

5. Ceylon suggests regional prime ministers' meeting:

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Ceylonese prime minister Kotelawala told the American ambassador in Colombo on 25 December that his suggestion for a meeting of the prime ministers of India, Pakistan, Burma, Indonesia and Ceylon had been made in order to seize the initiative from India and to lead South and Southeast Asian nations into an anti-Communist bloc. He failed to invite the prime minister of Thailand because he is "too unstable."

Kotelawala denied press reports that he had called the meeting to discuss American military aid to Pakistan and stated that he would welcome any "sale" of arms to that country.

Earlier, a Ceylonese official had said the meeting would concern itself with problems common to the countries involved. He also said invitations might later be extended to Indochina and Japan.

Comment: Kotelawala's suggestion represents Ceylon's first major venture into the international political arena. Because of the antagonisms rife in the area, however, it is doubtful that a conference, acceptable to most of the nations, would achieve important results.

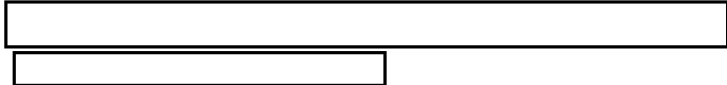
Both Prime Minister Nehru and the Indian press have incorrectly indicated that concern over the question of American military aid to Pakistan inspired Kotelawala to make his suggestion.

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WESTERN EUROPE

7. Italian cabinet reshuffle expected:

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According to usually well-informed sources, Premier Pella hopes to succeed in reorganizing his cabinet rather than to resign and precipitate a government crisis. The American embassy

in Rome believes that any reshuffle would probably be based on agreement between Pella and the present Christian Democratic leadership, controlled by the party's "left wing" and supporters of former premier De Gasperi, for a legislative program of moderate social reform.

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"Left-wing" Christian Democrats Taviani and Fanfani, who currently hold the defense and interior posts, would be retained under such an agreement. Although Pella reportedly wants to give up the post of foreign minister, no decision has been reached as to who would fill this post.

Comment: Pella may hope to make up for a consequent loss of Monarchist support by drawing the support of the Christian Democrats' former center and left-center allies. The Foreign Ministry post will be difficult to fill because of the reluctance of De Gasperi and other leaders to assume responsibility for any unfavorable developments in the Trieste situation.

8. British official forecasts small payments surplus for sterling area:

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 In outlining his government's views on the Commonwealth economic conference to be held in Australia next month, a senior British Treasury official predicted that the sterling area would show a modest balance of payments surplus for 1953-1954. If the present high level of world trade continues, the terms of trade for the sterling area are not expected to change drastically; but the United Kingdom's own terms of trade are now at the point of maximum advantage.

The American embassy in London, commenting on official concern over the slowness of Commonwealth economic development, believes Britain is disturbed by decreased Commonwealth orders for capital goods from industries in the United Kingdom.

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